

CANADA'S COVID-19 ECONOMIC RESPONSE PLAN: HOW CAN YOUR BUSINESS BENEFIT?

by Karen R. Rosen, Scott R. Venton and Karl Hopland

The Government of Canada is showing support for Canadian businesses that may be experiencing difficulties due to the worldwide COVID-19 pandemic.

The government's response plan is fluid, as the Canadian economy continues to adjust to these turbulent times. It is important to stay updated daily, to see if your business can benefit. Key areas of support, the latest details of which are set out below, include access to credit, retaining employees and key personnel, providing market stability and granting flexibility:

ACCESS TO CREDIT:

- **Business Credit Availability Program ("BCAP")** – On March 13, the government of Canada announced the BCAP. This measure will increase the credit available to small, medium, and large Canadian businesses by providing \$65 billion (previously announced at \$10 billion) of additional support through the Business Development Bank of Canada ("**BDC**") and Export Development Canada ("**EDC**"). This additional credit will be available **at market rates** to businesses with **viable business models whose access to financing would otherwise be restricted**, including but not limited to, Canadian businesses in the following industries: oil and gas, air transportation, exportation, and tourism. This program is broken down into three parts:

- Canada Emergency Business Account* – In a targeted response to liquidity issues faced by small businesses, the Government of Canada announced the launch of the new Canada Emergency Business Account, which will be implemented by eligible financial institutions in cooperation with EDC. This program will provide \$25 billion of interest free loans of up to \$40,000 each to small businesses and not-for-profits.
 - In order to qualify for this program, organizations will need to demonstrate that they paid between \$50,000 to \$1 million in total payroll in 2019. Additionally, loan forgiveness of 25% (up to \$10,000) will be granted if the applicable loan balance is paid off prior to December 31, 2022.
- Loan Guarantee for Small and Medium-Sized Enterprises* – For small and medium-sized enterprises, EDC will **guarantee** new operating credit and cash flow term loans that financial institutions extend to small and medium-sized enterprises, up to \$6.25 million.



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- iii. *Co-Lending Program for Small and Medium-Sized Enterprises* – For small and medium-sized enterprises, BDC will co-lend term loans up to \$6.25 million in partnership with eligible financial institutions to assist businesses with their operational cash flow requirements.

| Measure | Amount |
|---|---------------------|
| (i) Canada Emergency Business Account | \$25 Billion |
| (ii) Loan Guarantee for Small and Medium-Sized Enterprises | \$20 Billion |
| (iii) Co-Lending Program for Small and Medium-Sized Enterprises | \$20 Billion |
| Total | \$65 Billion |

This program is in the process of being implemented. The program will be delivered through private sector lenders, likely via existing arrangements by which BDC and EDC provide private sector loans. **Therefore, interested businesses should work directly with their current financial institutions if interested in this program.**

AVOIDING LAYOFFS:

- *Emergency Wage Subsidy* – For an overview of the Emergency Wage Subsidy currently being implemented by the Government of Canada, please refer to the following article published by Fogler Rubinoff's Employment Group: [Be-Labour-ing the Point](#).

MARKET STABILITY:

- **Insured Mortgage Purchase Program** – The Canada Mortgage and Housing Corporation ("CMHC") will purchase up to C\$150-billion of insured mortgage pools, in order to add liquidity to the mortgage market.
- **Bank of Canada Actions**
 - Lending Rate* – The Bank of Canada has lowered its overnight lending rate to 0.25 per cent.
 - Canada Mortgage Bonds ("CMB") Buyback* – The Government of Canada is implementing an expanded buyback program for Government of Canada bonds and expanded purchases of CMB's to support market liquidity and price discovery in times when such bonds may become illiquid.
 - Further Liquidity Support* – The government has implemented additional measures such as; (i) lengthening the term over which they lend money to banks; (ii) widening the collateral they

accept to provide lending and; (iii) expanding the list of eligible institutions that can access their lending.

- **Domestic Stability Buffer** – The Office of the Superintendent of Financial Institutions ("OSFI") is lowering the Domestic Stability Buffer from 2.25 per cent to 1 per cent of risk-weighted assets, effective March 13, 2020. OSFI estimates that this measure will support an additional \$300 billion of additional lending capacity.

FLEXIBILITY:

- **Deferral of income tax** – All businesses will be allowed to defer, until after August 31, 2020, the payment of any income tax amounts that become owing on or after March 18, 2020 and before September 1, 2020 **on an interest and penalty free basis**. This relief measure applies to tax balances due, and tax installments. This measure should help support business liquidity during the current pandemic.

These are some of the key points of the Government of Canada's economic response plan to COVID-19. Fogler Rubinoff is closely monitoring both the latest on the COVID-19 pandemic, and the measures implemented by the Government of Canada in response. If you have any questions or concerns in relation to the above measures, or how these measures may affect your business, please feel free to contact Karen Rosen at 416.941.8867 or via email at krosen@foglers.com or Scott Venton at 416.941.8870 or via email at sventon@foglers.com.